

**Letter of Findings: 01-20200330
Individual Income Tax
For the Tax Year 2018**

NOTICE: IC § 6-8.1-3-3.5 and IC § 4-22-7-7 require the publication of this document in the Indiana Register. This document provides the general public with information about the Department's official position concerning a specific set of facts and issues. This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Letter of Findings.

HOLDING

Individuals failed to provide sufficient evidence to support their requested abatement.

ISSUE

I. Tax Administration—Penalty and interest.

Authority: IC § 6-3-4-4.1; IC § 6-8.1-5-1; IC § 6-8.1-10-2.1; *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579 (Ind. 2014); *Indiana Dept. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); Income Tax Information Bulletin 3 (June 2008); IRC § 6654.

Taxpayers protest the imposition of a penalty for a failure to pay estimated taxes.

STATEMENT OF FACTS

Taxpayers are individuals who earned Indiana source income in 2018. No tax was withheld from those earnings and no estimated payments were made during the 2018 tax year. In October of 2019, Taxpayers paid the tax owed for the 2018 tax year but did not pay the penalty assessed for their failure to make estimated payments throughout 2018. Instead, Taxpayers protested the assessment of this penalty. Taxpayers waived their right to an administrative hearing. This Letter of Findings results instead from the totality of evidence provided by Taxpayers along with their protest form. Further facts will be supplied as required.

I. Tax Administration—Penalty and interest.

DISCUSSION

Taxpayers protest the imposition of a penalty assessed on their 2018 individual income tax. Taxpayers request abatement of the penalty and note that they filed a Federal extension, believed erroneously that separate business losses would offset their income, and then paid the tax in full when they realized that a tax payment would still be due. By paying their tax in full once they realized the error, Taxpayers believe they acted in a reasonable manner and that waiver of the penalty is appropriate.

As a threshold issue, it is the taxpayer's responsibility to establish that the existing tax assessment is incorrect. As stated in IC § 6-8.1-5-1(c), "The notice of proposed assessment is prima facie evidence that the [D]epartment's claim for the unpaid tax is valid. The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made." *Indiana Dept. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2012); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007). Consequently, a taxpayer is required to provide documentation explaining and supporting his or her challenge that the Department's position is wrong. Further, "[W]hen [courts] examine a statute that an agency is 'charged with enforcing . . . [courts] defer to the agency's reasonable interpretation of [the] statute even over an equally reasonable interpretation by another party.'" *Dept. of State Revenue v. Caterpillar, Inc.*, 15 N.E.3d 579, 583 (Ind. 2014). Thus, all interpretations of Indiana tax law contained within this decision shall be entitled to deference.

Taxpayers are required to make estimated payments on their Indiana income tax liability. IC § 6-3-4-4.1(a); IRC § 6654. "In the case of an underpayment of the estimated tax . . . there shall be added to the tax a penalty in an

amount prescribed by [IC 6-8.1-10-2.1](#)(b)." IC § 6-3-4-4.1(b).

Income Tax Information Bulletin 3 clarifies the requirements of an estimated tax payment and the subsequent penalty:

A taxpayer is subject to penalty for underpayment of estimated tax if the total state and county taxes due after credits exceed \$1,000. The taxpayer will not owe a penalty if each installment payment equals at least one-fourth of the required annual payment. The required annual payment is the lesser of:

- (1) 90 percent of the tax shown on the current year's return;
- (2) 100 percent of the tax shown on the previous year's return;
- (3) 110 percent of the tax shown on the previous year's tax return if the taxpayer is not a farmer or fisherman and the Indiana adjusted gross income shown on the previous year's joint return is more than \$150,000; or
- (4) 110 percent of the tax shown on the previous year's tax return if the taxpayer is not a farmer or fisherman and the Indiana adjusted gross income shown on the previous year's return is more than \$75,000 for a taxpayer who is either single or married and filing separately.

If the taxpayer is eligible for any of the exceptions to the penalty mentioned above, he must attach Schedule IT-2210 to the individual income tax return showing that the exception has been met.

If a taxpayer's income is not received uniformly throughout the year, the taxpayer can avoid penalty if the tax is paid in an amount at least equal to the annualized income installment by the due date of the installment. Schedule IT-2210A should be used to compute the annualized income installment amount. This schedule is available at www.in.gov/dor or upon request. If a penalty is imposed for underpayment of estimated tax, the penalty will be 10 percent of the underpayment for that period.

Income Tax Information Bulletin 3 (June 2008), 20080528 Ind. Reg. 045080399NRA.

Taxpayers failed to provide a Schedule IT-2210 or any other evidence suggesting that they qualified for an exception to the estimated payment requirements. Furthermore, Taxpayers do not claim that they made any estimated payments whatsoever. Taxpayers provided no evidence showing that they attempted to estimate their tax liability throughout the 2018 tax year. Taxpayers also provided no evidence showing that their belief that they would owe no Indiana income tax for 2018 was reasonable. Without evidence supporting their claims, Taxpayers have failed to meet their burden under IC § 6-8.1-5-1.

FINDING

Taxpayers' protest is respectfully denied.

January 26, 2021

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